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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

Volume XVI

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 44

MORTGAGE ACTIVITY IN PRINCIPAL CITIES

THE charts on pages 366 through 369 show the trend of mortgage activity in thirty-eight cities. The figures have been adjusted for seasonal variations. Figures for Queens and the Bronx were obtained from the Mortgage Bulletin prepared by Savings Banks Trust Company of New York.

The San Francisco Area includes the figures for the five counties in that Area, whereas the figures for Atlanta, Georgia, include Fulton County, only. The figures for Dallas, Texas, and Yonkers, New York, are made up of new mortgages only.

In order to show Oakland, California, we plotted the figures for Alameda County alone, but Alameda County is still included in the San Francisco Area chart. Since the San Francisco figures which include all five counties in the Area are higher than the figures for Oakland (Alameda County), we can conclude that the other four counties in the Area have reported higher mortgage activity on the average than Alameda County.

Los Angeles tops all of the charted cities by a wide margin, reaching its peak in late 1946 and showing little decline since then. San Francisco, Miami and Syracuse are all closely bunched for the second highest spot, while Hartford, Oklahoma City, Oakland, Tulsa and Atlanta fall into the third group.

Queens shows a much higher rate of activity than does the Bronx; however, only figures on mortgages of \$10,000 or over were available for these two boroughs. In comparing Manhattan with Brooklyn we find Manhattan far ahead.

Other interesting comparisons may be made between Tulsa and Oklahoma City, Indianapolis and Cincinnati, Boston, Hartford and Cambridge, Cleveland, Chicago and Detroit, Portland and Seattle, St. Louis and Kansas City, and San Diego and Los Angeles.

Every effort has been made to make this report complete, but so far figures for Richmond Borough, New York, and Jersey City, New Jersey, have been unobtainable.

Mortgage activity springs from two main sources, financing of new building and refinancing of existing buildings. Due to the fact that real estate activity, after reaching its peak in 1946, has fallen slowly, and the reported increase in new construction in 1947 is, to say the least, controversial, we believe that mortgage activity will not show up so well in 1947 as it did in 1946. Of the thirty-eight areas charted, twenty-two show a lower trend in 1947 than in 1946.

NATIONAL INCOME, WAGES AND PROFITS

THE chart on page 363 shows the amount of national income, compensation of employees, and corporation profits, after taxes, in billions of dollars per year from 1909 through 1946.

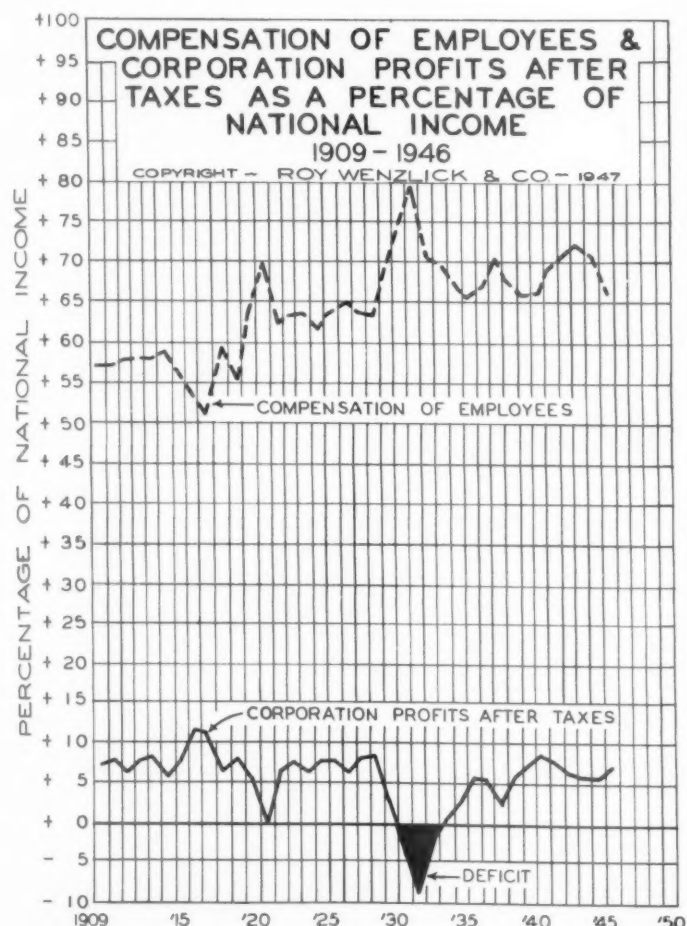
National income has shown a tremendous increase since 1938, reaching an all-time high of 165 billion dollars in 1946. Corporation profits, although reaching a high of 12 billion in 1946, have had a very rocky road to follow and, in 1931, 1932 and 1933 showed a deficit of 1.6, 3.6 and .6 billion dollars, respectively. Actually the 12 billion dollar profit is considerably less for it includes inventory profits.

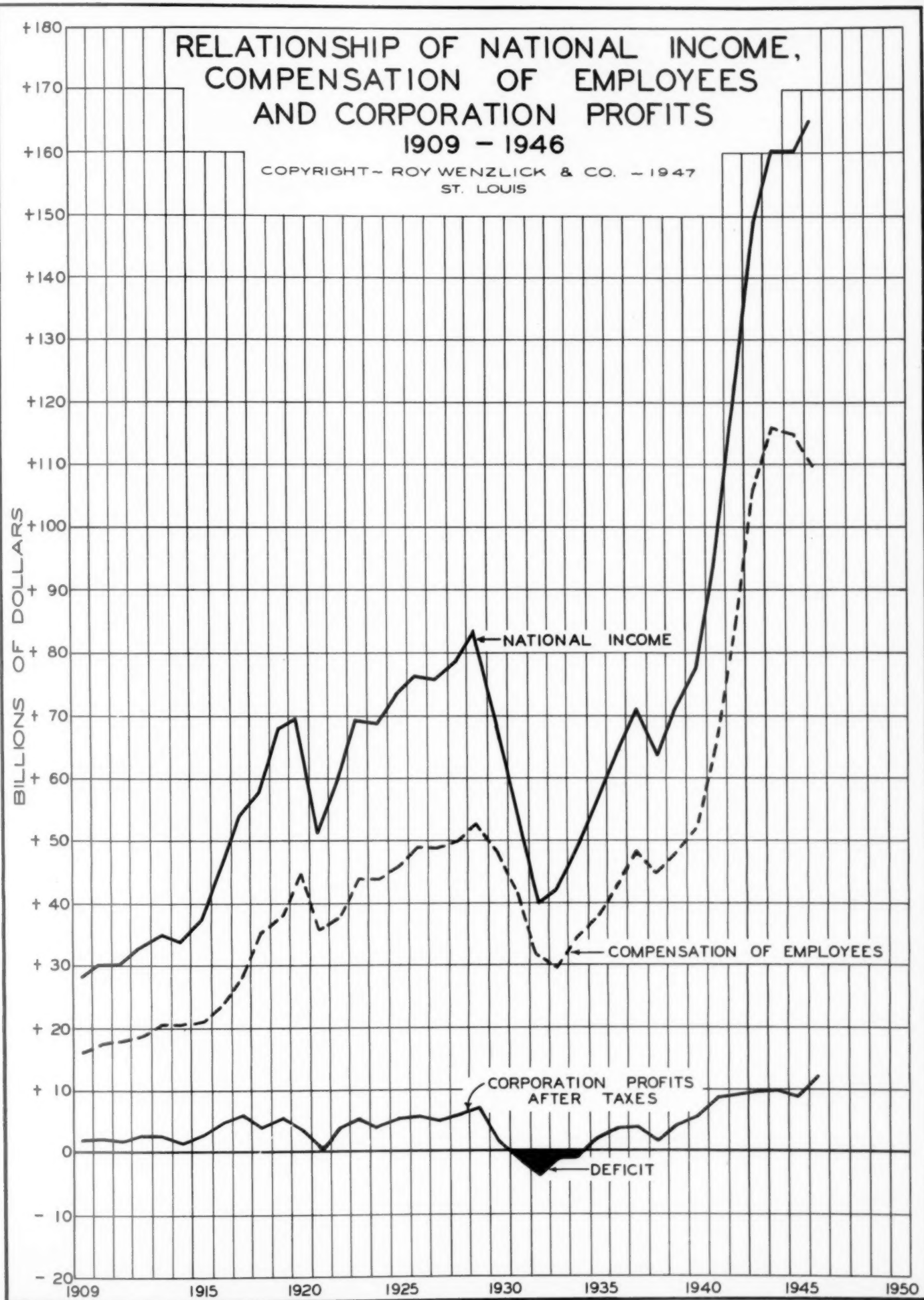
This "unreasonable" profit of 12 billion dollars has been discussed at great length by certain members of the Administration and various labor spokesmen, and has borne the brunt of their attack on the high cost of living. In making the assertion that price increases accounted for the increased profits, government and labor have overlooked one very important source of 1946 corporation profits, tax refunds. Reliable estimates place the amount of tax refunds to corporations at between three and four billion dollars. If we take the lower figure as correct, corporation profits for 1946, without the tax refunds, would have been 9 billion dollars. This figure is the same as 1945 profits and .9 billion less than 1944 profits.

Compensation for employees has also risen to new heights, reaching 116 billion in 1944. The small drop since then was not caused by reductions in pay, as wages have steadily increased, but by a reduction in hours worked.

The chart to the right shows the percentage of national income received by employees, and the percentage of national income received as corporation profits. Perhaps the most significant disclosure of this chart is that during the years 1931, 1932 and 1933, when corporation profits were wiped out by large deficits, employees received the highest percentage of the national income of any of the years covered by the chart. In the light of these data the great hue and cry regarding "unreasonable" corporation profits certainly seems to be quite unfair.

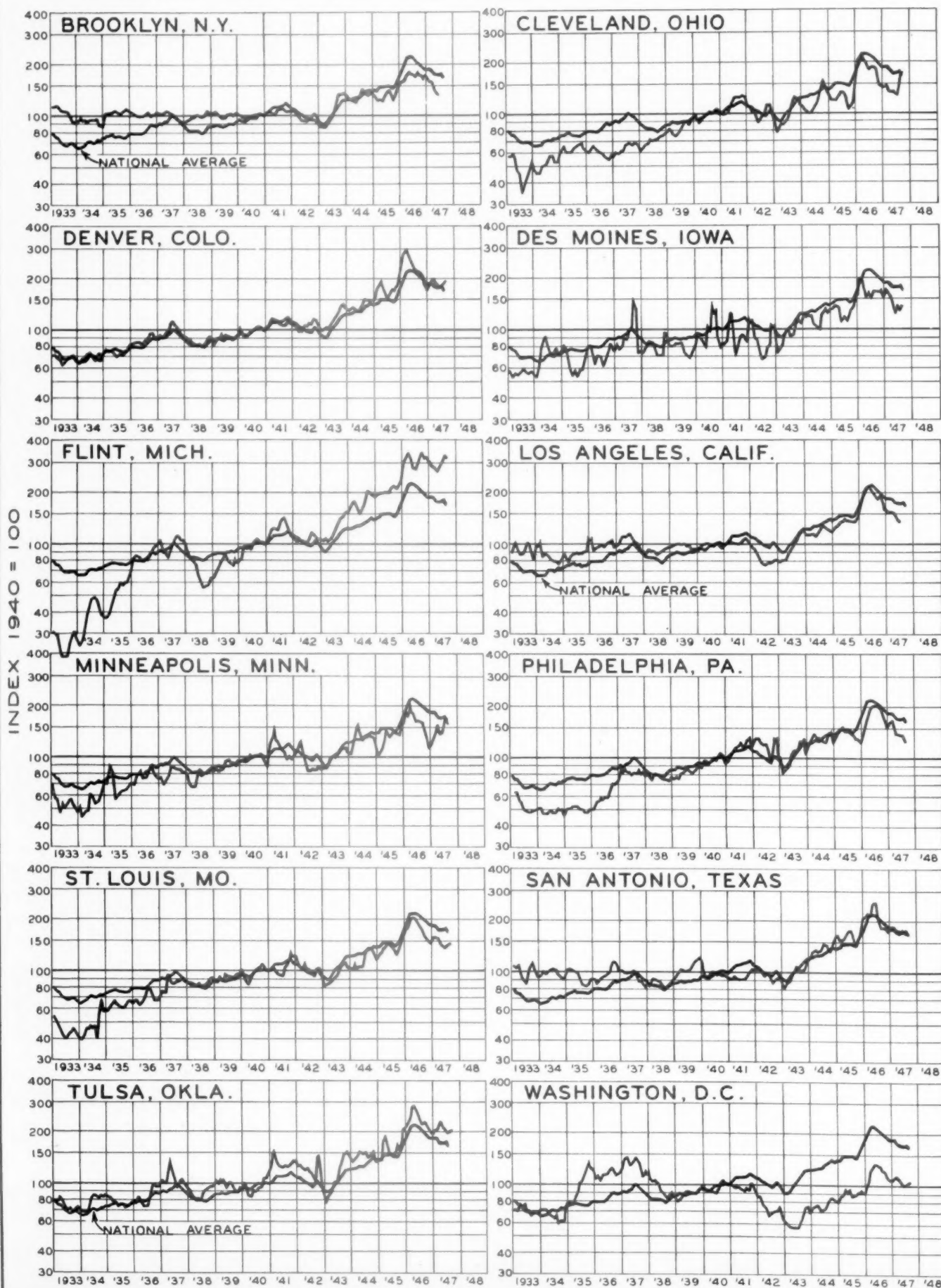
Few people will deny that the cost of living has soared to a most painful height, but to ignore the expanding cost of government, continually increasing labor costs, and the unprecedented high incomes of our food-producing farmers, and to throw the entire blame on the so-called "profiteering" business man seems most illogical.





REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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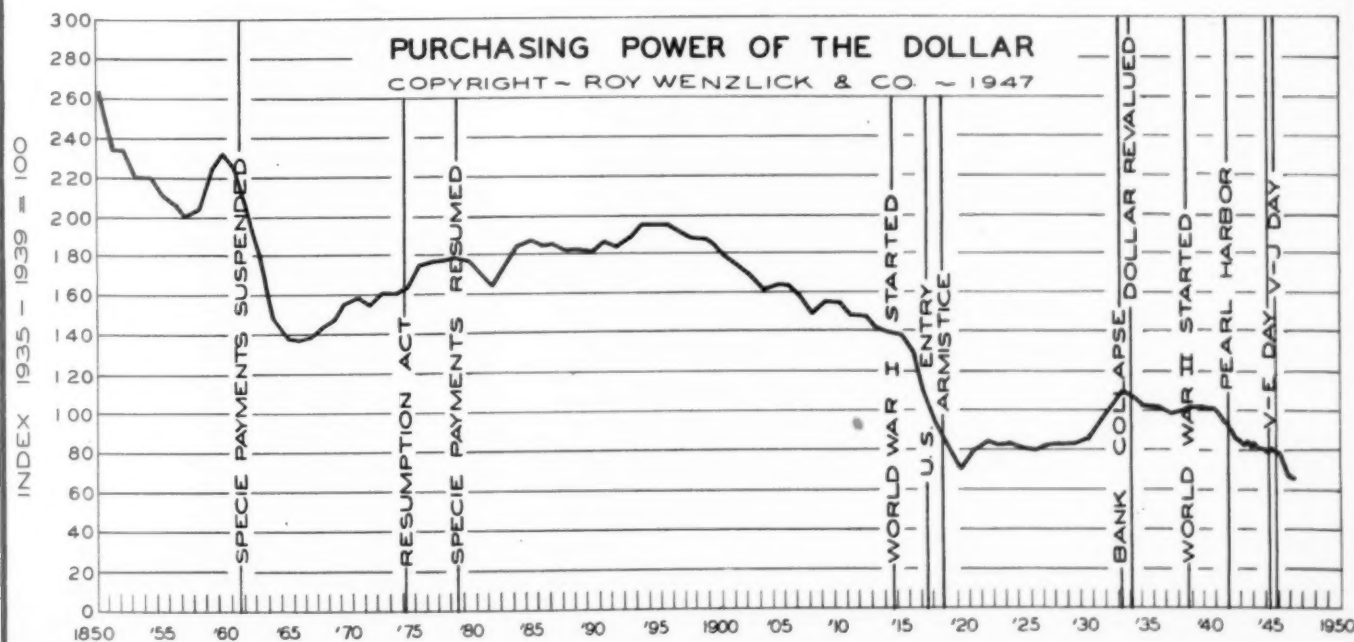
PURCHASING POWER OF THE DOLLAR CONTINUES DECREASE

IN the March 1947 issue of the Real Estate Analyst, we charted the purchasing power of the dollar from 1850 to 1947 on the basis of the 1850 dollar equalling 100. Since so few of our clients remember 1850, we have changed our base in this month's chart to the 1935-1939 average.

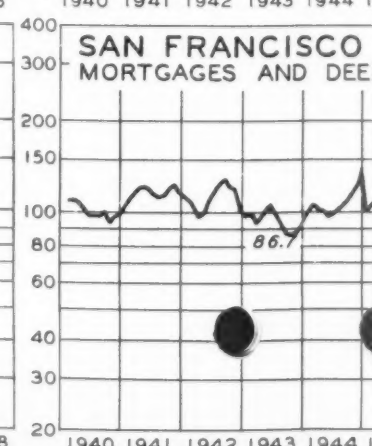
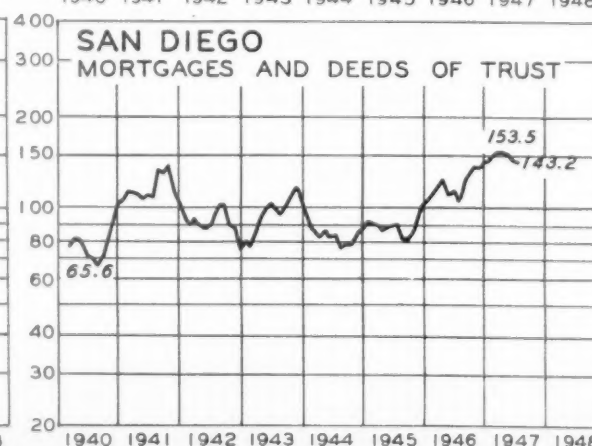
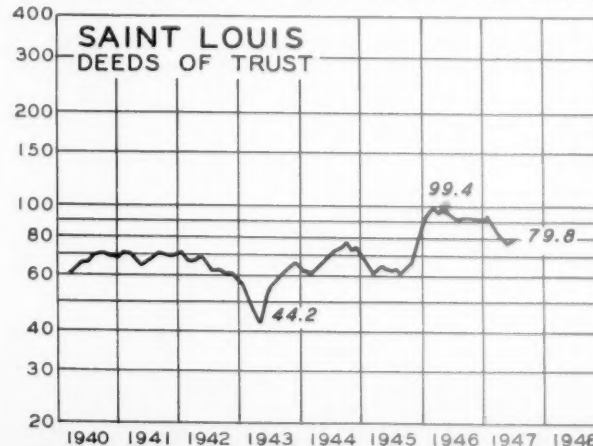
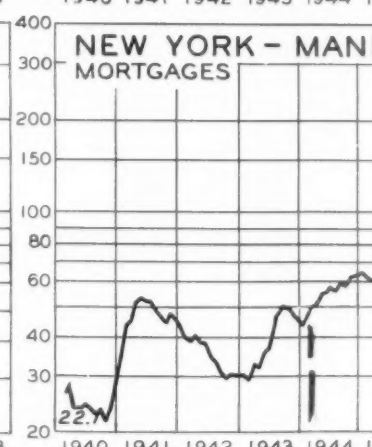
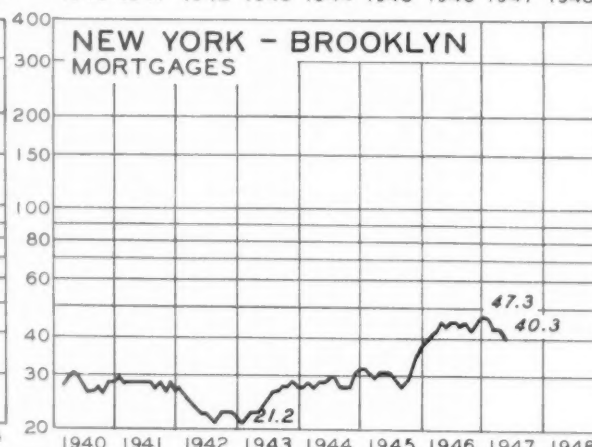
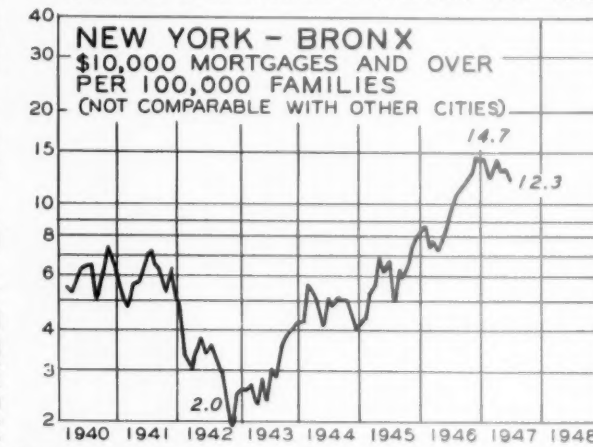
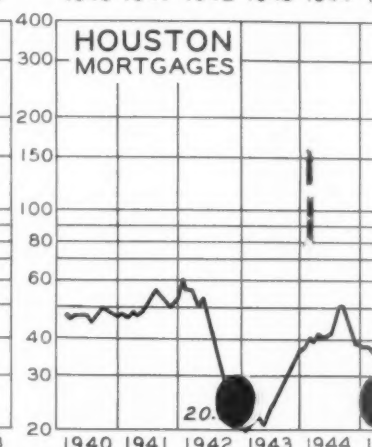
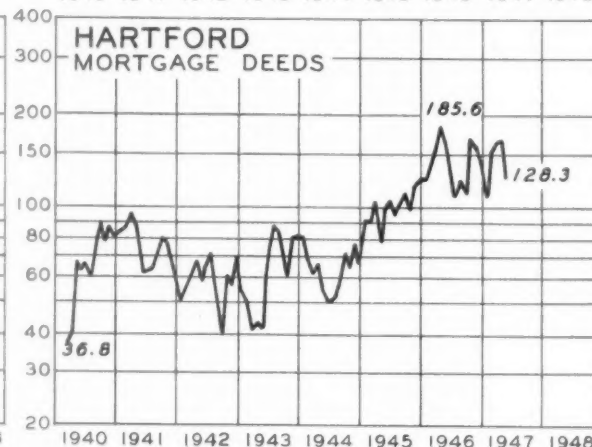
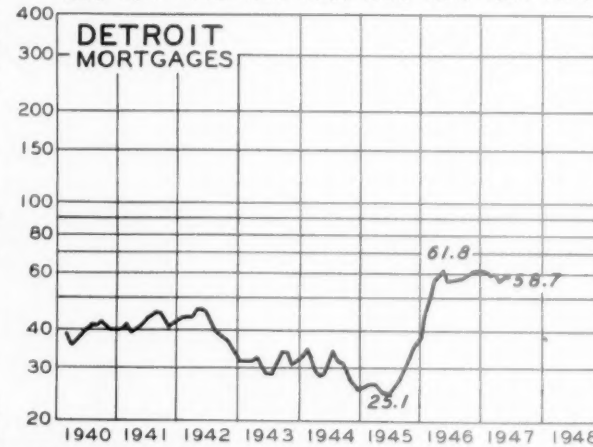
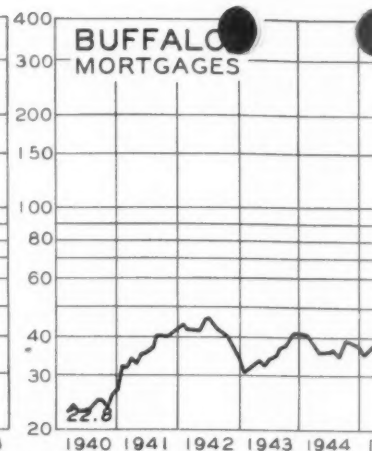
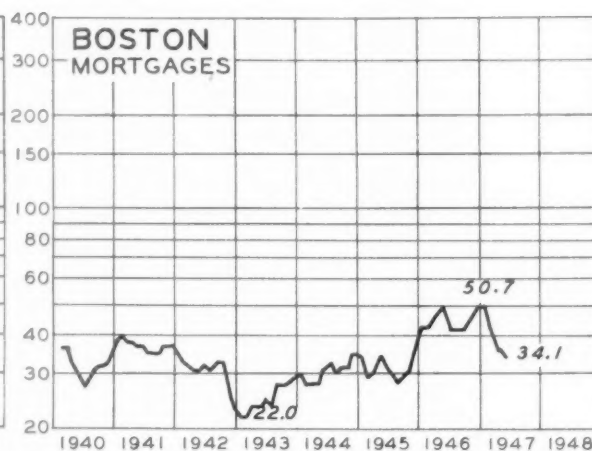
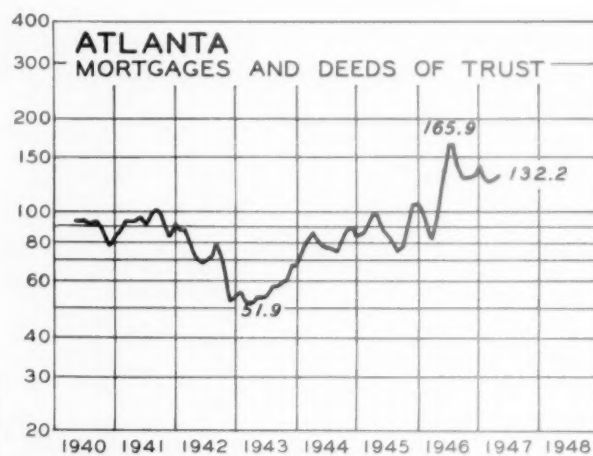
Inasmuch as the purchasing power of the dollar varies with the different goods and services purchased, we have chosen the group of goods and services with which everyone is most familiar, the cost of living items. Therefore, the chart shows how the average purchasing power of the 1935-1939 "cost of living" dollar has fluctuated since 1850.

The latest figures show that this dollar's purchasing power has fallen to 63.7 cents, or it is worth just 63.7 per cent of what it was worth during 1935 to 1939. Another way of expressing this decline is: If in 1939 a family spent \$200 a month for food, rent, clothing, heat, ice, gas and electricity, the same amount of goods and services in September 1947 would cost them \$314.

Large wage increases without a corresponding increase in productivity will cheapen the purchasing power of the dollar by raising prices and increasing the amount of money in circulation. Deficit financing, which, reduced to its simplest terms, means dumping more money into the stream by government fiat, adds to the supply of money without increasing production. We are all quite familiar with the most recent examples of the dollar's debasement. The Marshall Plan, regardless of its extent, is bound to be inflationary. The money for the European nations will never leave this country. It will be spent by the government right here in America, and will go into the hands of the farmers, food processors, manufacturers and other producers of goods for Europe. The goods will be shipped out of the country. Therefore, we will have an increase in the American money supply and to all intents and purposes a decrease in the amount of goods produced for American consumption. There is a strong possibility that by the time inflation pressure from the Marshall Plan becomes evident, other deflationary forces will be at work which will largely nullify further cheapening of the dollar.

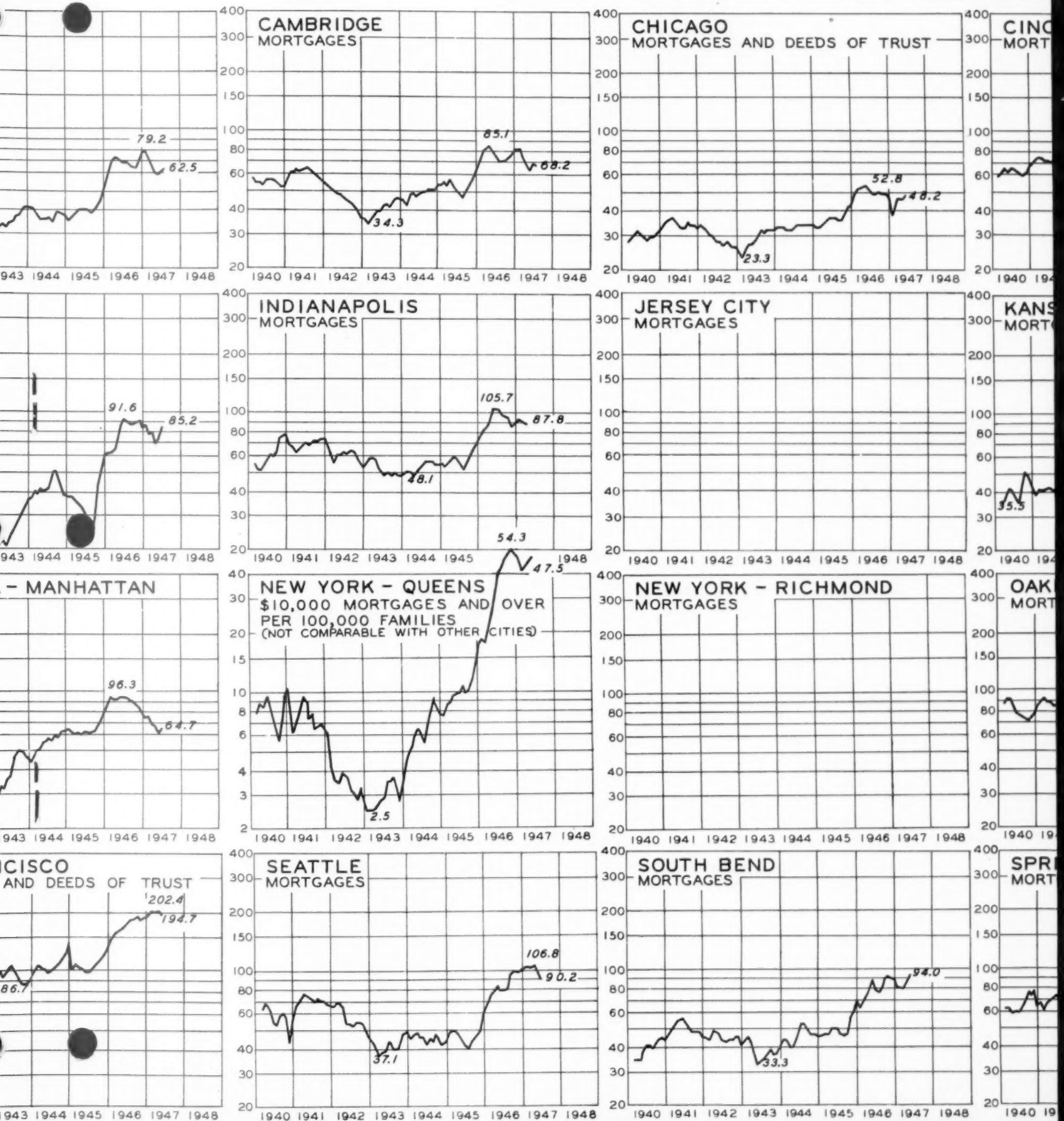


NUMBER OF MORTGAGES PER 10,000 FAMILIES



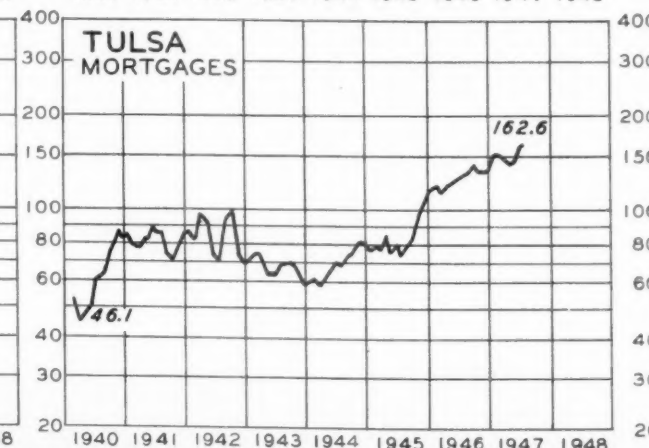
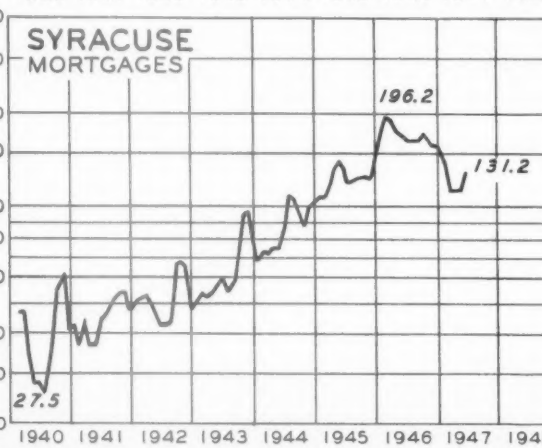
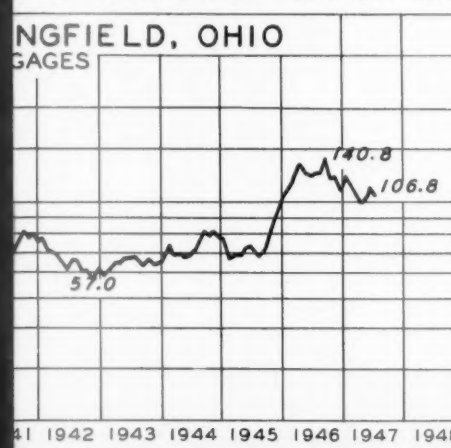
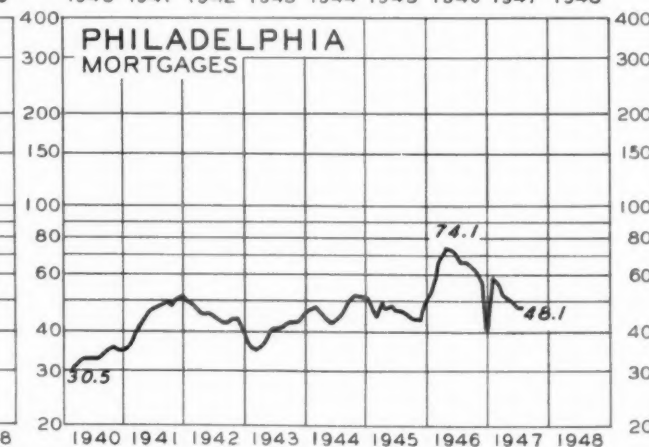
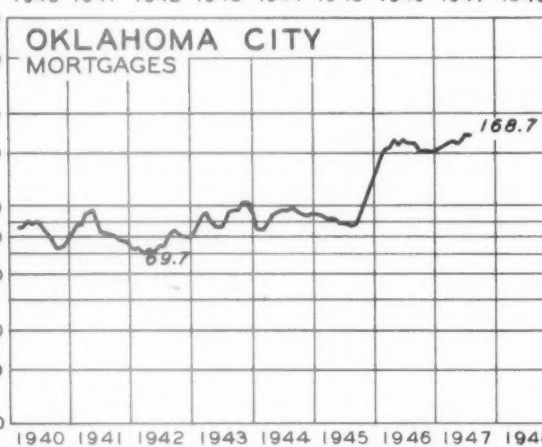
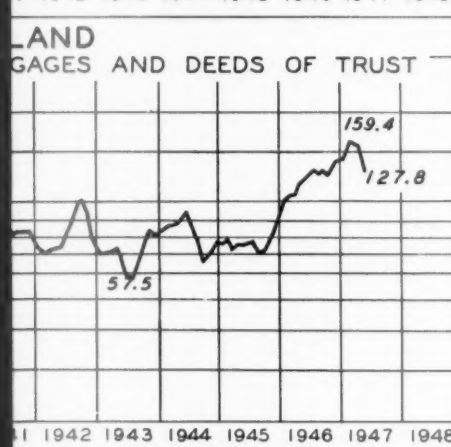
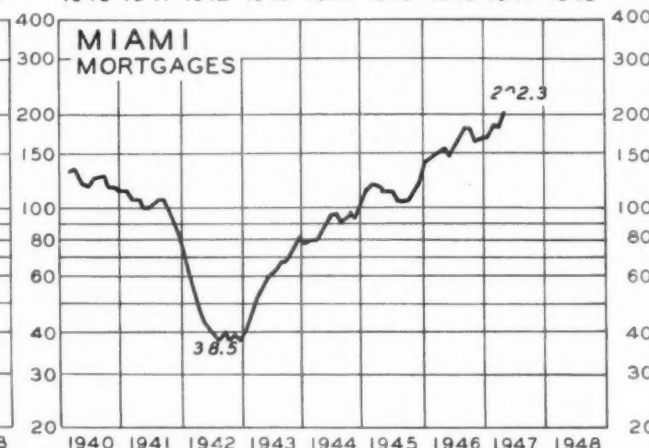
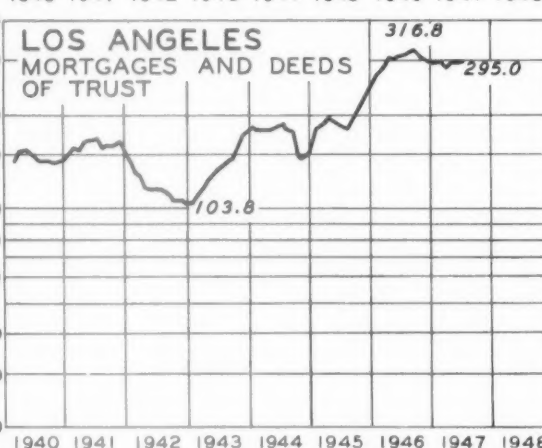
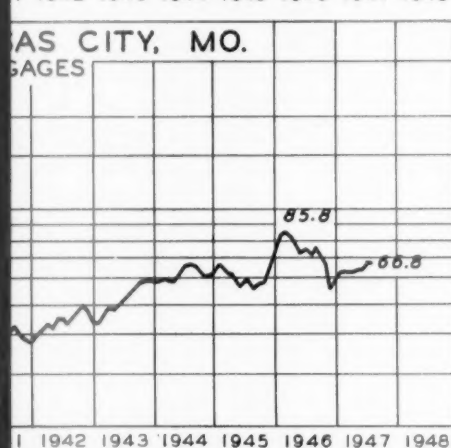
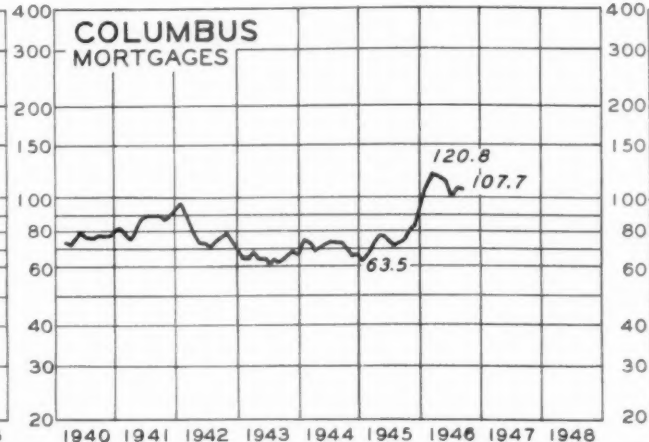
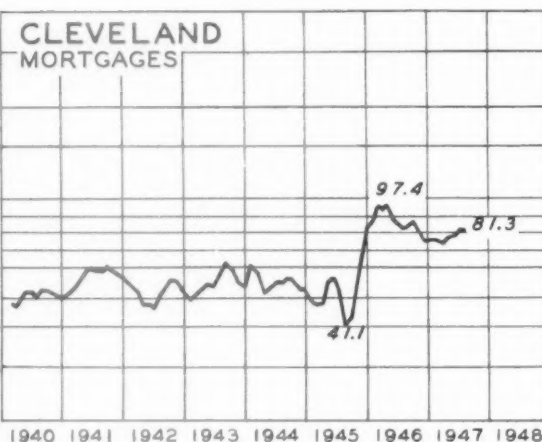
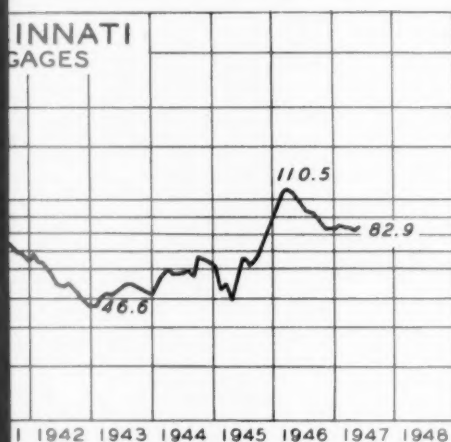
MORTGAGE ACTIVITY IN

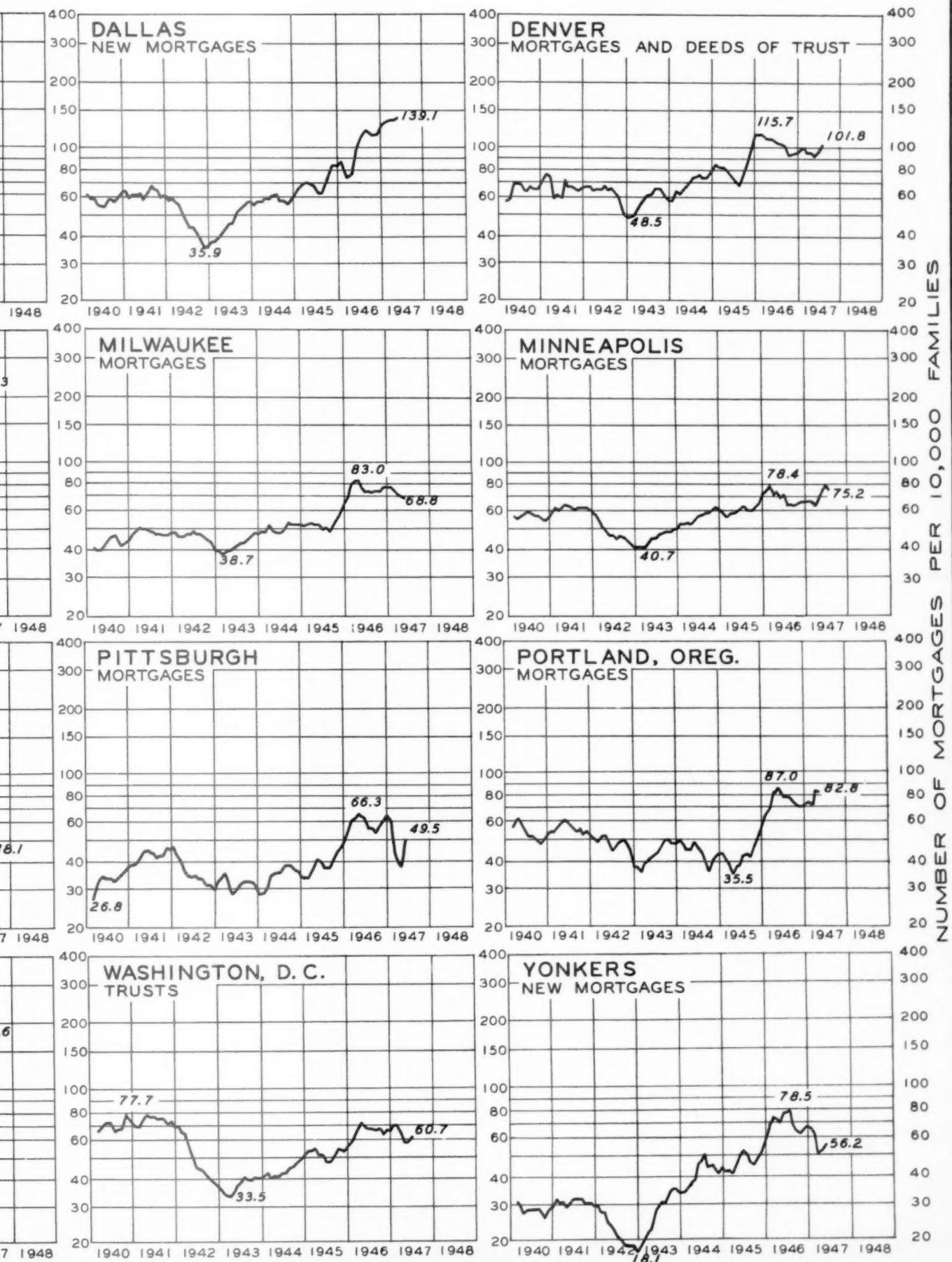
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PRINCIPAL CITIES

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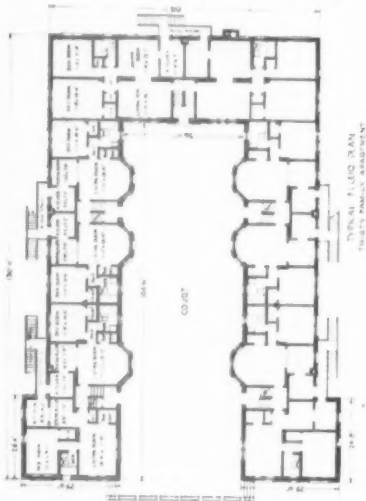


CONSTRUCTION COSTS OF A 30 UNIT REINFORCED CONCRETE APARTMENT

IN SAINT LOUIS

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COST OF LAND IS NOT INCLUDED



BUILDING COSTS IN DOLLARS

TOTAL CONSTRUCTION COSTS

OVERHEAD

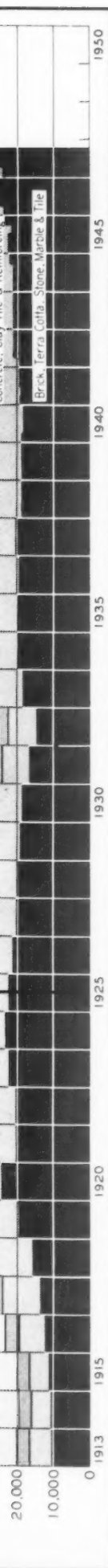
LABOR

MATERIALS

TOTAL OVERHEAD
Builders Profit
Taxes Insurance and Interest During Construction
Permits, Fees & Inspections
TOTAL LABOR COST
Excavators & Misc.
Plumbers, Electricians,
Steam Fitters & Sheet Metal Workers
Lathers & Plasters
Roofers, Carpenters & Painters, Decorators, & Supervision

TOTAL MATERIAL COST

Plumbing, Heating, Electrical Materials, Sheet Metal, Iron Hardware, & Miscellaneous
Lumber, Millwork, Roofing, Flooring, Paint, Etc.
Plastering Materials
Concrete, Clay Tile & Reinforcing
Brick, Terra Cotta, Stone, Marble & Tile



VARIATION IN COST OF A THIRTY-FAMILY REINFORCED CONCRETE APARTMENT IN SAINT LOUIS

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MATERIAL

1. Cost of face brick, dobies, flue lining, terra cotta, cut stone, marble and tile.
2. Cost of concrete, claytile and reinforcing.
3. Cost of all plastering materials.
4. Cost of all lumber, flooring, millwork, roofing, paint, etc.
5. Cost of all materials for plumbing, heating, electrical work, sheet metal work, iron work, hardware and special equipment.

6. TOTAL MATERIAL COST.

LABOR

7. Cost of setting all stone, tile and marble and laying all brick.
8. Cost of carpentry, roofing, flooring, painting, decorating, and builder's general supervision.
9. Cost of labor on plastering.
10. Cost of installing plumbing material and fixtures, wiring, heating plant and sheet metal work.
11. Cost of excavation and miscellaneous.

12. TOTAL LABOR COST.

OVERHEAD

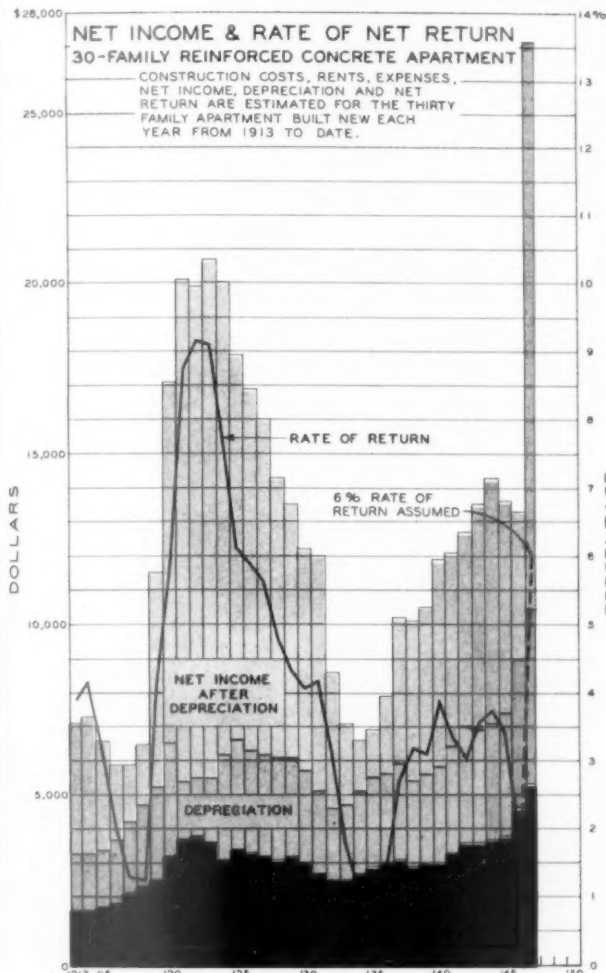
13. Cost of all city permits, utility connection costs, plans and engineering fees.
14. Cost of interest during construction and taxes and insurance.
15. Estimated profit made by the builder - 7%.
16. TOTAL OVERHEAD COST.

17. TOTAL COST OF CONSTRUCTION.

YEAR	MATERIAL						LABOR						OVERHEAD					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
1913	\$10,584	\$ 5,977	\$3,642	\$12,537	\$14,815	\$47,555	\$ 7,987	\$ 7,217	\$4,630	\$5,367	\$1,900	\$27,101	\$1,445	\$ 3,143	\$ 5,320	\$ 9,908	\$ 84,564	
1914	10,654	5,427	3,642	12,659	13,865	46,247	7,987	7,277	4,630	5,367	1,900	27,161	1,445	3,103	5,250	9,798	83,206	
1915	10,994	5,487	3,642	12,640	14,260	47,023	7,957	7,277	4,595	5,597	1,900	27,326	1,495	3,188	5,300	9,983	84,332	
1916	12,184	7,389	3,587	13,336	18,296	54,792	8,307	7,326	4,690	5,777	1,900	28,000	1,545	3,473	5,900	10,918	93,710	
1917	13,534	10,693	4,025	14,100	23,867	66,219	9,417	7,953	4,880	5,954	1,900	30,104	1,720	3,973	6,850	12,543	108,866	
1918	15,724	10,157	5,396	19,330	25,974	76,581	9,574	8,600	5,020	6,084	1,900	31,178	1,635	4,428	7,700	13,763	121,522	
1919	19,574	11,385	6,014	22,046	25,679	84,698	10,698	9,230	5,330	6,326	2,120	33,704	1,770	4,863	8,400	15,033	133,435	
1920	24,210	15,110	7,938	27,558	30,608	105,424	10,351	13,261	5,090	7,414	2,710	38,826	2,070	5,863	10,020	17,953	162,203	
1921	20,193	11,220	6,890	19,912	24,134	82,349	11,101	13,483	5,450	7,527	2,710	40,271	2,010	5,248	8,700	15,958	138,578	
1922	20,281	10,010	6,359	20,818	23,655	81,123	11,024	12,528	5,560	8,044	2,710	39,866	2,020	5,218	8,600	15,838	136,827	
1923	22,230	11,005	6,385	21,905	23,910	85,435	11,933	13,696	5,560	8,560	3,100	42,849	2,220	5,313	9,150	16,683	144,967	
1924	23,130	10,955	6,730	19,885	24,583	85,283	14,538	16,213	6,840	10,087	3,380	51,058	2,620	5,548	9,750	17,918	154,259	
1925	22,210	10,785	6,678	19,305	30,898	89,876	15,832	16,360	6,910	9,497	3,380	51,979	2,920	5,888	10,020	18,828	160,683	
1926	21,046	10,240	6,029	18,192	30,475	85,982	15,162	16,440	6,100	9,205	3,380	50,287	2,870	5,703	9,750	18,323	154,592	
1927	20,231	10,020	6,078	16,494	28,996	81,819	14,995	16,380	6,000	9,062	3,380	49,817	2,670	5,537	9,400	17,607	149,243	
1928	19,754	10,020	5,893	16,227	28,035	79,929	14,474	16,380	5,720	9,315	3,380	49,269	2,670	5,427	9,250	17,347	146,545	
1929	19,120	10,160	5,631	17,067	28,385	80,363	13,598	16,462	5,074	9,306	3,477	47,917	2,649	5,170	9,160	16,979	145,259	
1930	18,630	8,973	5,952	14,737	26,499	74,791	13,469	13,536	4,537	9,296	3,160	43,998	2,549	5,057	8,500	16,106	134,895	
1931	16,426	7,829	5,719	12,847	24,066	66,887	11,800	11,641	3,960	9,285	2,370	39,056	2,465	4,513	7,600	14,578	120,521	
1932	14,416	8,015	5,796	11,813	21,354	61,394	9,819	10,090	3,270	7,826	2,080	33,085	2,260	4,065	6,750	13,075	107,554	
1933	18,150	8,650	5,570	15,500	18,030	65,900	9,180	8,010	3,000	7,460	1,970	29,620	1,990	6,826	6,826	14,932	110,452	
1934	19,950	9,050	6,600	19,890	21,100	76,590	9,180	8,010	3,000	7,460	1,970	29,620	1,745	6,620	7,557	15,922	122,132	
1935	19,950	8,930	6,486	18,800	22,150	76,316	11,880	9,980	3,805	7,460	2,250	35,375	1,700	7,887	7,937	17,524	129,215	
1936	19,480	9,180	5,700	17,600	23,250	75,210	12,700	11,650	4,300	7,460	2,815	38,925	1,855	8,546	8,130	18,531	132,666	
1937	20,400	9,500	5,845	20,280	23,600	79,635	13,300	12,880	4,145	6,685	2,815	39,825	2,140	10,200	8,560	20,900	140,360	
1938	18,620	9,300	5,760	17,770	22,420	73,870	11,750	11,100	3,820	6,100	2,250	35,020	2,155	9,850	7,770	19,775	128,665	
1939	18,600	9,190	5,760	17,680	23,720	74,950	13,620	11,825	5,190	6,100	2,720	39,455	2,230	10,300	8,150	20,680	135,085	

Ja	1940	18,570	9,220	5,810	18,850	21,750	74,200	13,540	11,200	5,340	6,100	2,815	38,995	2,255	9,806	8,768	20,829	134,024
Ap	1940	18,110	9,220	5,810	18,630	21,980	73,750	13,540	11,200	5,340	6,100	2,815	38,995	2,255	9,778	8,734	20,767	133,512
Il	1940	18,110	9,160	5,810	18,860	21,980	73,920	14,580	11,200	5,690	6,800	2,815	41,095	2,255	10,053	8,913	21,221	136,236
O	1940	18,110	9,150	6,030	22,410	21,980	77,680	13,700	11,520	5,650	6,910	2,815	40,595	2,255	10,233	9,153	21,641	139,916
Ja	1941	19,050	9,270	6,030	22,800	22,500	79,650	14,890	13,120	6,120	6,910	3,660	44,700	2,255	10,866	9,623	22,744	147,094
Ap	1941	18,950	9,300	5,940	21,800	22,450	78,440	15,320	13,410	5,970	6,910	3,800	45,410	2,255	10,890	9,592	22,737	146,587
Il	1941	19,400	9,320	6,530	24,250	22,450	81,950	15,950	14,930	6,080	6,910	3,800	47,670	2,255	11,384	10,028	23,667	153,287
O	1941	19,490	9,330	6,650	24,100	22,450	83,570	17,890	16,200	6,180	8,000	3,800	52,070	2,255	12,036	10,495	24,786	160,426
Ja	1942	19,490	9,330	6,704	24,850	25,800	86,174	18,110	16,500	6,310	8,000	3,940	52,860	2,255	12,305	10,752	25,312	164,346
Ap	1942	21,046	9,560	6,704	25,500	28,500	91,310	18,110	16,500	6,310	8,000	3,940	52,860	2,255	12,615	11,132	26,002	170,172
Il	1942	21,046	9,560	6,704	25,200	28,500	91,010	18,190	16,680	6,210	8,640	3,940	53,660	2,255	12,698	11,174	26,127	170,797
O	1942	21,046	9,560	6,704	25,810	28,500	91,620	16,320	14,900	6,210	6,910	3,800	48,140	2,255	12,029	10,782	25,066	164,826
Ja	1943	21,046	9,560	6,540	25,900	28,500	91,546	15,500	13,900	6,000	6,910	3,800	48,140	2,255	12,021	10,777	25,053	164,739
Ap	1943	21,046	9,560	6,540	25,900	28,500	91,546	15,500	13,900	6,000	6,910	3,800	48,140	2,255	12,021	10,777	25,053	164,739
Il	1943	21,046	9,560	6,540	25,900	28,500	91,546	15,500	13,900	6,000	6,910	3,800	48,140	2,255	12,021	10,777	25,053	164,739
O	1943	21,046	9,560	6,910	29,000	28,500	95,016	15,500	13,900	6,000	6,910	3,800	48,140	2,255	11,984	10,875	25,114	166,240
Ja	1944	21,046	9,560	6,910	31,250	28,500	97,266	15,500	13,900	6,000	6,910	3,800	48,140	2,255	12,121	11,043	25,419	168,795
Ap	1944	21,046	9,560	6,910	32,450	28,500	98,466	15,500	13,900	6,000	6,910	3,800	48,140	2,255	12,193	11,132	25,580	170,156
Il	1944	21,046	9,560	7,000	32,450	28,500	98,556	15,500	13,900	6,000	6,910	3,800	48,140	2,255	12,200	11,138	25,593	170,259
O	1944	22,000	9,920	7,000	32,450	28,500	99,870	16,850	13,900	6,000	6,910	5,340	49,000	2,255	12,648	11,464	26,367	175,237
Ja	1945	22,400	9,920	7,000	33,100	28,500	100,920	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,921	11,674	26,850	178,440
F	1945	22,400	10,150	7,000	33,100	28,500	101,150	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,936	11,690	26,881	178,701
Mr	1945	22,400	10,150	7,000	33,100	28,500	101,150	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,936	11,690	26,881	178,701
Ap	1945	22,400	10,150	7,000	33,100	28,500	101,150	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,936	11,690	26,881	178,701
My	1945	22,400	10,150	7,000	33,100	28,500	101,150	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,936	11,690	26,881	178,701
Je	1945	21,425	9,574	6,825	33,619	28,403	99,846	17,103	15,174	5,990	6,904	5,347	50,518	2,255	13,122	11,550	26,927	177,291
Il	1945	21,425	9,574	6,825	33,619	28,403	99,846	17,315	16,637	7,308	8,054	5,347	54,661	2,255	13,650	11,950	27,855	182,362
Ag	1945	21,635	9,912	6,927	33,619	28,403	100,496	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,808	13,210	31,273	203,068
S	1945	21,635	9,912	6,927	33,619	28,403	100,496	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,795	13,200	31,250	202,863
O	1945	23,466	10,373	6,994	33,437	28,403	102,673	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,940	13,420	31,615	205,587
N	1945	23,466	10,373	6,994	33,437	29,073	103,343	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,980	13,500	31,735	206,377
D	1945	23,466	10,373	6,994	33,437	29,073	103,343	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,980	13,500	31,735	206,377
Ja	1946	23,487	10,465	7,047	33,437	29,073	103,509	23,243	22,292	8,998	10,936	6,196	71,665	2,255	16,038	13,540	31,833	207,007
F	1946	23,487	10,465	7,047	33,437	29,073	103,509	23,243	22,292	8,998	10,936	6,196	71,665	2,255	16,038	13,540	31,833	207,007
Mr	1946	23,487	10,527	7,047	33,837	29,073	103,971	23,243	22,292	8,998	10,936	6,196	71,665	2,255	16,066	13,600	31,921	207,557
Ap	1946	24,982	10,639	7,047	33,837	30,475	106,980	25,321	22,292	9,199	10,936	6,196	73,944	2,255	16,530	14,000	32,785	213,709
My	1946	24,982	10,639	7,047	34,201	30,780	107,649	25,321	22,292	9,199	10,936	6,196	73,944	2,255	16,579	14,020	32,854	214,447
Je	1946	26,623	11,039	7,054	34,201	31,389	110,306	25,427	23,729	9,199	10,936	6,196	75,487	2,255	16,939	14,300	33,494	219,287
Il	1946	26,623	11,039	7,054	34,220	32,303	111,239	25,427	23,729	9,199	10,936	6,196	75,487	2,255	16,995	14,400	33,650	220,376
Ag	1946	26,623	11,039	7,054	34,583	33,339	112,638	25,427	23,729	9,479	10,936	6,196	75,767	2,255	17,189	14,600	34,044	222,449
S	1946	26,623	11,346	7,789	35,420	34,650	115,828	25,427	23,729	9,479	11,506	6,196	76,337	2,255	17,383	14,800	34,438	226,603
O	1946	26,623	11,346	7,789	35,984	34,650	116,392	25,427	23,729	9,479	11,506	6,196	76,337	2,255	17,417	14,820	34,492	227,221
N	1946	26,623	11,346	8,057	43,260	34,650	123,936	25,427	23,729	9,479	11,506	6,196	76,337	2,255	17,875	15,400	35,530	235,803
D	1946	23,992	11,919	8,857	49,500	36,814	131,082	25,427	23,729	9,479	11,506	6,196	76,337	2,255	18,312	16,000	36,567	243,986
Ja	1947	24,013	12,278	9,399	51,120	36,814	133,624	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,649	16,800	38,704	257,954
F	1947	25,400	12,278	9,399	51,200	36,814	135,091	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,737	16,990	38,982	259,699
Mr	1947	25,400	12,278	9,399	52,200	36,814	136,091	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,796	17,064	39,115	260,832
Ap	1947	25,400	12,278	9,399	52,300	36,814	136,777	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,777	17,040	39,072	260,475
My	1947	25,510	12,700	9,405	51,120	36,200	134,935	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,726	16,978	38,959	259,520
Je	1947	25,510	12,700	9,405	48,000	36,200	131,815	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,525	16,745	38,525	255,966
Il	1947	25,510	12,700	9,405	46,100	36,200	129,915	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,422	16,605	38,282	253,823
Ag	1947	26,400	13,025	9,325	47,050	37,250	133,050	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,613	16,838	38,706	257,382
S	1947	26,400	13,025	9,420	47,050	38,000	133,895	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,767	16,908	38,930	258,451

EARNINGS ON 30 - FAMILY APARTMENT

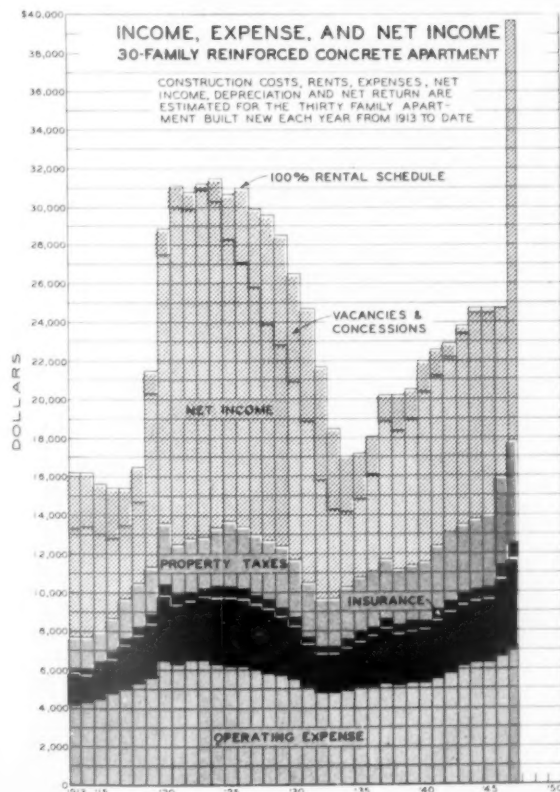


On pages 370 through 372 we have brought the construction costs on our thirty-family fireproof apartment building up to date. This building now costs about 85¢ per cubic foot, or about \$12.00 per square foot in St. Louis, an increase of 90.7 per cent since 1939.

This building was discussed last in our March 31, 1947, Real Estate Analyst, and general specifications are given in that issue. The building contains 303,534 cubic feet and 21,372 square feet.

While the St. Louis costs will not apply to other metropolitan cities, it is believed that the variations in costs from year to year are fairly representative and are applicable to most of the larger urban centers.

The charts on the left of this page depicting the net income and rate of net return and income, expense and net income on this building show a startling improvement in the building's earning power since the decontrol of rents on new buildings.



An explanation of this splendid showing is necessary. Since rents have been decontrolled on new construction, we decided to figure the 1947 net return data in reverse. Therefore, we took a 6 per cent net return after depreciation as our starting point, and worked backwards to determine what rental schedule would be necessary to produce that return on today's replacement cost of \$278,232 (\$20,000 for land + \$258,232, average cost for first nine months of 1947). The schedule, with no allowance for vacancies in 1947, is \$39,644. As there are 102 rooms in the building, the monthly rent per room runs approximately \$32.40. This includes shelter rent, one garage space, heat, water, janitor service, stove and refrigerator.

While this building can doubtless be kept filled at these rentals for the next two to four years, the inevitable drop in rental values will cut deeply into the net return and quickly place a loan in jeopardy.

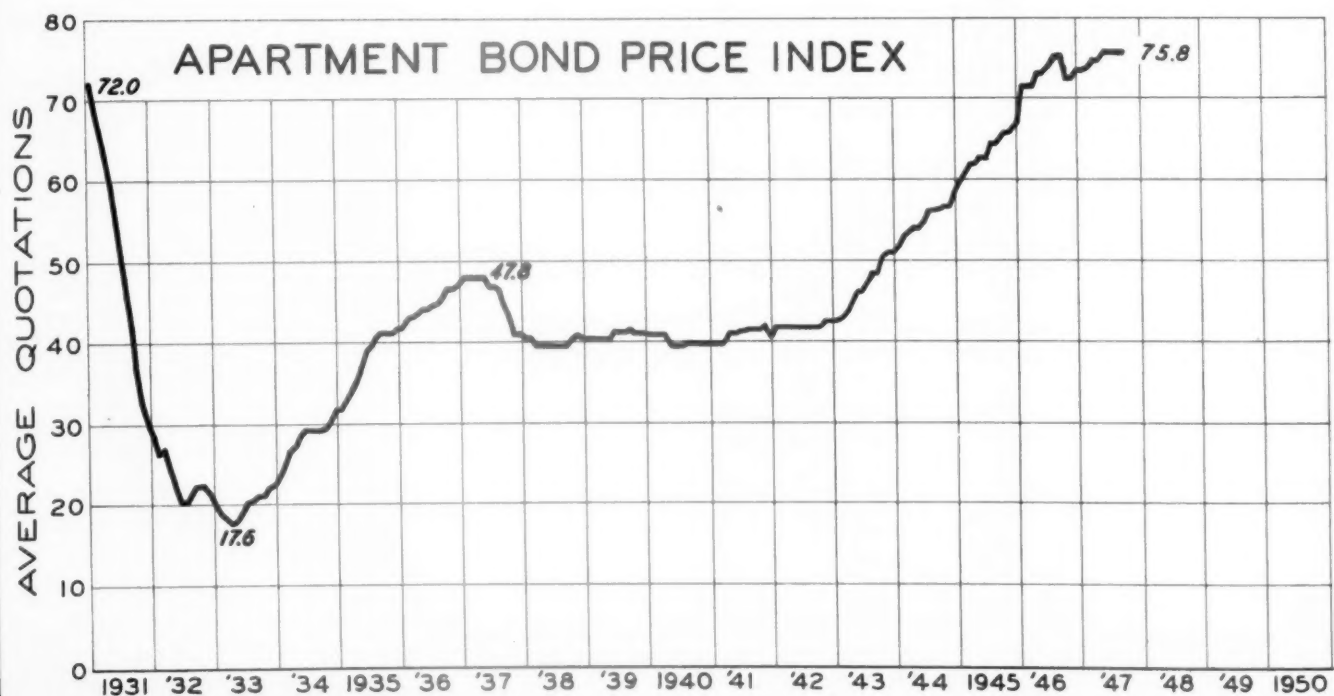
APARTMENT BOND PRICES HOLD LINE

FOR the past five months there has been no change in the apartment bond index, which has held a steady 75.8 since May 1947. Since the index's previous slump following last fall's stock market reverse, it has more than regained its lost ground by increasing 4-1/2 per cent to the present reading of 75.8, which is the best showing for any portion of the period covered by the chart.

After grinding along in the doldrums from 1938 to 1942 the index began its spectacular rise which was to last for nearly four years. The impetus from this rise came from the decreasing vacancy in apartments and a rising stock market. While the index follows the market (which has been fairly steady) to some extent, it may also react favorably to the 15 per cent rent increases when they become more widespread. On the other hand, the 15 per cent rent increases may have already been discounted in the index's latest advance. In this case, the next rental stimulus should come when the end of rent control becomes evident, providing we are not on our way into a depression when that day arrives.

INDEX OF APARTMENT BOND PRICES

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
Jan.	72.0	28.0	19.8	23.1	31.7	41.4	47.8	40.2	40.2	40.6	39.8	41.5	42.5	51.9	59.6	71.8	73.5
Feb.	69.1	26.3	18.6	24.0	32.7	42.6	47.8	40.2	40.2	41.0	39.8	41.5	43.1	53.0	60.8	71.8	73.9
Mar.	66.3	26.8	18.0	26.1	33.7	43.0	47.8	39.4	40.2	41.0	40.0	41.5	43.6	53.5	62.0	71.8	74.6
Apr.	63.6	24.7	17.6	26.9	35.0	43.4	47.8	39.4	40.2	41.0	40.8	41.5	44.9	54.0	62.0	73.2	74.6
May	59.2	22.2	18.0	28.2	36.8	43.8	47.8	39.4	40.2	39.4	40.8	41.5	46.2	54.0	62.6	73.2	75.8
June	54.4	20.0	19.6	29.0	38.7	43.8	46.9	39.4	41.0	37.6	41.2	41.5	46.2	55.1	62.6	73.9	75.8
July	50.1	20.0	20.0	29.0	39.5	44.2	46.9	39.4	41.0	38.2	41.2	41.5	47.4	56.3	64.5	74.6	75.8
Aug.	45.6	20.6	20.2	29.0	40.6	44.6	46.4	39.4	41.0	39.8	41.4	41.5	48.4	56.3	64.5	75.4	75.8
Sept.	41.5	22.0	20.8	29.0	41.0	45.5	44.5	39.4	41.4	39.8	41.4	41.5	48.4	56.5	65.1	75.4	75.8
Oct.	36.5	22.0	20.8	29.3	41.0	46.4	43.2	40.2	41.0	39.8	41.4	41.7	50.4	56.8	65.8	72.4	
Nov.	32.1	21.7	21.6	29.9	41.0	46.4	40.6	40.6	41.0	39.8	41.8	42.5	50.9	56.8	65.8	72.4	
Dec.	29.2	20.8	22.0	31.4	41.4	47.3	40.6	40.2	41.0	39.8	40.5	42.5	50.9	58.5	67.1	73.5	



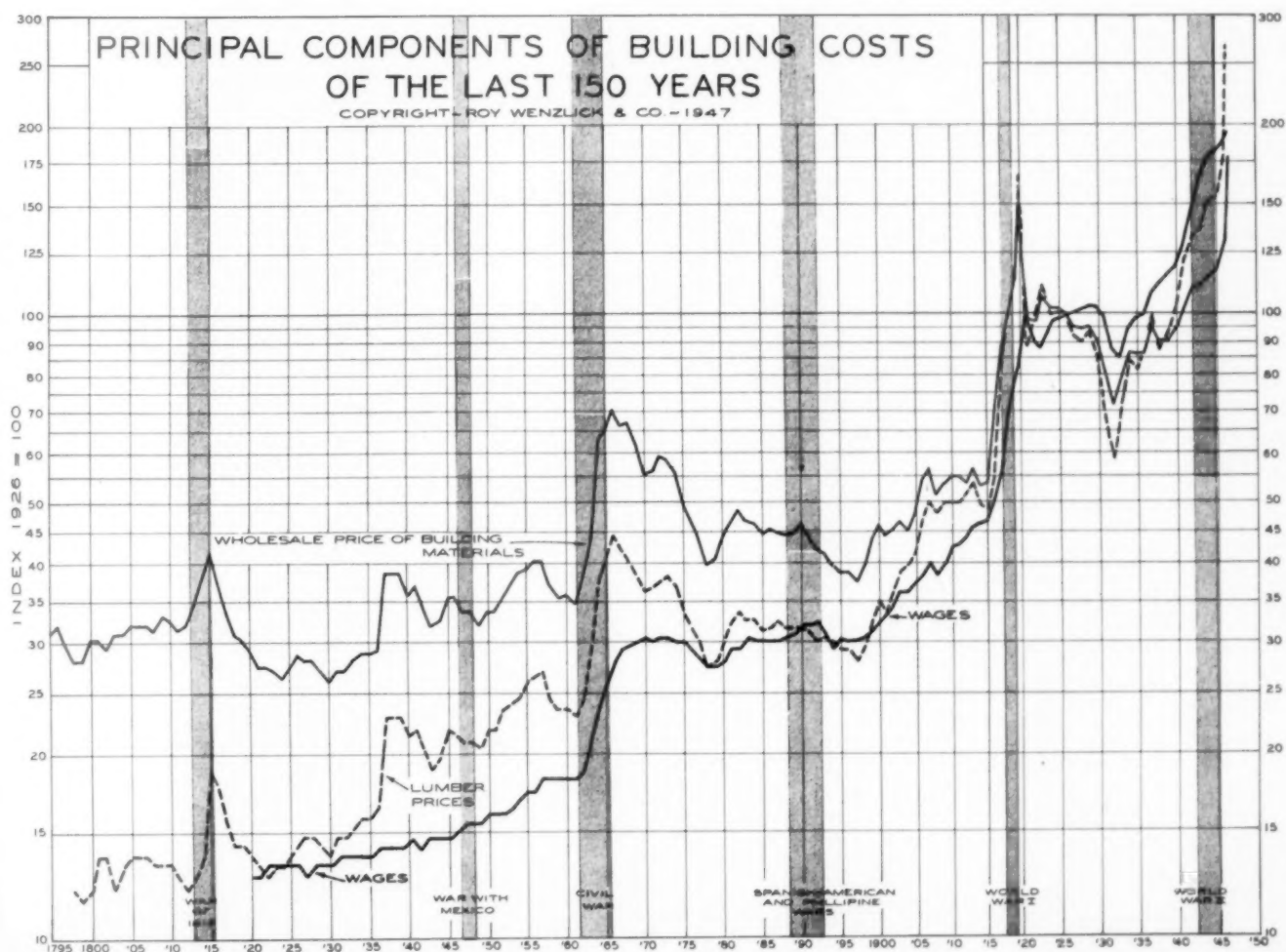
HOW LOW WILL BUILDING COSTS GO ?

IT is axiomatic that building costs are high because the various components are high. The whole is equal to the sum of its parts. What is of particular interest is not that they are high, but how much higher will they go, how long will they stay there, and when and how far will they drop.

A quick glance at the chart below will show the two blue lines, representing lumber prices and wholesale prices of building materials, reaching four main peaks, following the War of 1812, Civil War, World War I and World War II. It is also significant that each major peak has been higher than its predecessor and that, generally speaking, the subsequent drop has not been severe enough to bring the price to the point where it was at the start of each boom. The one exception to this is found in the drop of wholesale building material prices following the War of 1812. Even the dreadful depression of the 1930's failed to collapse lumber and building material prices to their 1916 level.

We believe that lumber and building material prices are at their peak. We guess that this peak or near peak will continue into 1948 and that sometime during the year a considerable decline will set in. As we have said many times before, we think that there will be no sudden and drastic collapse, such as characterized the debacle of 1920-1921, but it will come, and it will be unmistakable and people will get hurt.

(cont. on page 376)



HOW LOW WILL BUILDING COSTS GO?

(cont. from page 375)

No one knows just when the break is coming, but none but the most self-deluding optimist will deny that the inflation bubble must burst - and it always happens when things look the best.

Some inquiry may be made as to why these prices seldom fall to their preceding lows. For instance, why did our most dismal depression fail to drive lumber and building material prices to their 1916 level, which had recorded an all-time high for building materials in over 50 years?

Part of the answer seems to be the inflexibility of wage rates. In the final analysis, practically all of the cost of any item is represented by some kind of wages to somebody. As long as the wage rates are inflexible, or rather inflexible in a downward direction, they act as a brake on dropping prices.

Another factor which helps check the fall of lumber and building material prices is the freight rate. Freight rates per ton mile rise and fall, but their trend has been up. In addition to the rise in the rate, lumber and building materials are being freighted a good deal farther than in the days when most lumber was logged on or near the building site and other building materials consisted largely of native stone and brick. There seems to be little chance of a really sizable reduction in freight rates and the tendency to freight longer distances will probably grow rather than diminish.

Therefore, it seems a reasonably safe guess that we will not see lumber or building material prices much lower than 1939 for a long time, if ever. And a further reasonable, though somewhat more risky, guess is that when they have finished their coming drop, they will be somewhere between 20 and 30 per cent below their present peak.